



CHALLENGES AND FUTURE PROSPECTS OF PLASTIC MONEY

P. Sathiya Bama¹, Dr.K.Gunasundari*²

¹Asst. Prof, Dept. of Management Studies and Research, Karpagam University, Coimbatore, TamilNadu, India.

²Asst. Prof, Dept. of Management Science, PSG College of Arts and Science, Coimbatore, TamilNadu, India.

ABSTRACT

Today it is impossible to imagine modern bank operations, commercial transactions and other payments without using the plastic cards. Plastic currency is now gradually becoming the norm across the globe as more and more developed countries are opting for plastic compared to paper as there are several inherent advantages. The growing incursion of smart phones has made technology applications much more accessible to users. The Government's also move forward for a "Digital India" and its focus on growing electronic payments is significant drivers of growth in replacing physical payments with technology-backed solutions. India is at the cusp of a tectonic shift towards electronic money from traditional cash. for instance the Pradhan Mantri Jan DhanYojana (PMJDY), is slowly building recognition among people to move from paper to electronic money. The PMJDY alone has seeded over 150 million Rupay cards in the last year, in addition to the 400 million debit cards already in circulation. There is still emergence for significant increase in the usage of debit cards in the years to come as card. This paper focus on the challenges and future prospects of plastic money in India.

Keywords: Credit Card, Debit Card, Future prospects, Plastic money.

INTRODUCTION

India is one of the world's fastest emergent economies, the electronic transactions have also become more secure, more convenient, authentication and made ecommerce safer. The forthcoming next five years will be a very exciting period in the payments space in India. It is expected more development, innovation and infrastructure building coupled with adoption of more dynamic technological innovations. The country's robust demand growth will necessitate the need for quicker, simpler, frictionless payments and we will see not only a shift from cash to electronic payments but newer modes of electronic payments growing and replacing existing technologies.

The growth of plastic money can be divided into two main perspectives, infrastructure and consumer perspective. Making a strong pitch for promotion of electronic payments in the country and making India a cashless economy.

PLASTIC MONEY SYSTEM

The evolution of plastic money industry was quite obvious as people are getting more dependent on technology and plastic money business is just the best outcome of technology in banking business.

The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. However, mere technology up gradation or introduction of innovative products cannot improve the state of affairs until customers don't respond to it positively. Hence, it becomes very necessary for the banks to offer the services or products while taking into consideration the customers needs, preferences, perceptions and convenience.

The role of various parties involved in plastic cards payment

1. Customers or Cardholder: The authorized person holding the card and can use it for purchase of goods and services also.
2. Card issuing bank: The bank or institution which issues the card to its eligible customers.
3. Merchants: Entities which sell the goods and services to the cardholder and duly agree to accept the card for payment.
4. Bank Card Association: The associations (VISA, Master Card, and American Express)

Present Scenario of plastic cards

Now a days a modern customers and client cannot think of banking without the facility of plastic cards. Today credit and debit cards have largely replaced cheques as alternatives to cash. Both are reasonably secured compared to cash and are widely accepted.

User friendliness and feasibility are the main features of plastic money that have made plastic money popular not only in India but also all over the world.

▪ Credit cards usage for travel bookings

Consumers started to make their bookings using cards and it has become a lifestyle choice for most urban consumers.

▪ Electronic transactions grew strongly with the help of Reserve Bank of India (RBI)

The consumers who were using online shopping for a long period switched to net banking facilities over cash on delivery as this was more convenient and fast. This included online shopping for groceries, especially in metropolitan cities such as Bangalore, Hyderabad, Mumbai, Delhi, Chennai and Kolkata.

▪ Mobile banking applications become common for all banks

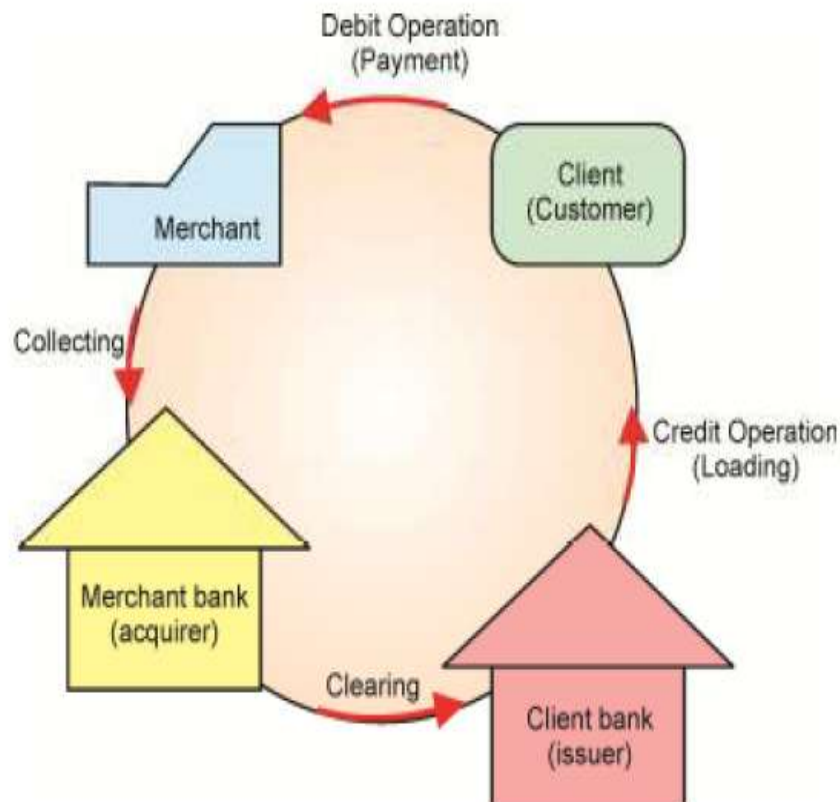
Use of smart phones became one of the most common forms of banking. As to provide consumers with a convenient and secure banking facility, almost every leading bank in the country, private or public, launched their mobile applications for all the leading Smartphone operating system platforms ie Android, iOS and Windows.

▪ **Security:** Lost cash can be used by anyone. If you lose a credit or debit card, you can call 24.7 helpline number and report to the bank and thus get protected from unauthorized use of

your card. However, different banks may have different liability policies, consult your bank if they offer any liability waiver.

- **Universal Acceptance:** Most credit and debit cards are accepted worldwide. Try that with a personal check! If you need cash, you can make withdrawals from ATMs or banks around the world that accept your credit or debit card.
- **Emergency Protection:** A credit card will get you through almost any emergency you can think of. It's like a security blanket that will cover you for e.g. airline insurance , life insurance etc depending upon the credit card.
- **Convenience:** Credit and debit cards offer no-hassle shopping – no cash, no checks, no additional identification.
- **Simplified Record Keeping:** Credit and debit cards give you a record of all your transactions for the month, so keeping track of where your money goes is easier.
- **Hygienic:** Paper money is dirty and unhygienic as it travels from one person to another whereas on the other hand plastic money usually remains with 2.3 individuals maximum therefore it is clean and hygienic.
- **Environment Friendly:** One of the major causes of deforestation is paper and this is where plastic money is better than paper money as it reduces deforestation.
- **Value-Added Benefits:** Many credit cards offer rebates, cash refunds, contributions to your favorite charity, or other special value-added benefits that you won't get with paying by cash.

General Structure of Electronic Payment System in Plastic Money



Challenges faced

21st Century banking has become wholly customer-driven & technology driven by challenges of competition, rising customer expectations & shrinking margins, banks have been using technology to reduce cost & enhance efficiency, productivity & customer convenience. Technology intensive delivery channels like net banking, mobile banking, etc have created a win-win situation by extending great convenience & multiple options for customer. From educating customers about credit cards there is a need to educate them about the differentiating factors of the cards. Because visa and master card are advertising regularly and thereby increases awareness. The strategy should be to emphasize on its differentiating characteristics. They also need to identify potential customers and target those using mailers. As internet is growing at a fast rate the net users can be targeted by having interactive sites. The prospective company's card personality could also be used in the home page to solve customer queries in the 'Best Possible Manner.

Overall, there is currently a lot of innovation taking place in the following areas in India, which will encourage development of a cashless society and help the market move towards the idea of new payment methods.

Growth prospects of plastic money

Growing popularity of online shopping made increase usage of plastic cards more than previous years. It was primarily driven by the urban population and by the increased acceptance of cards by organised retailers. There was a strong usage in both grocery and non-grocery retailing.

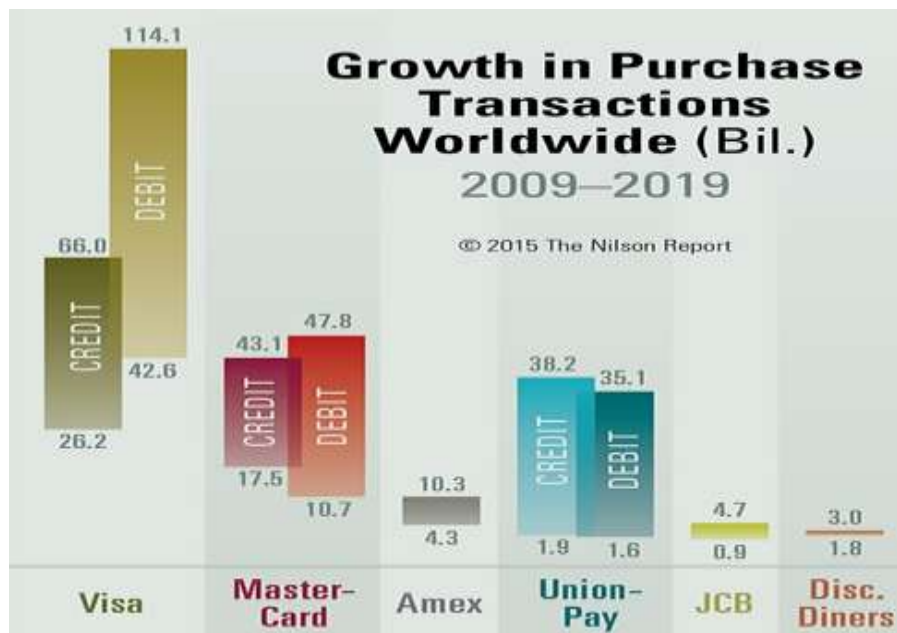
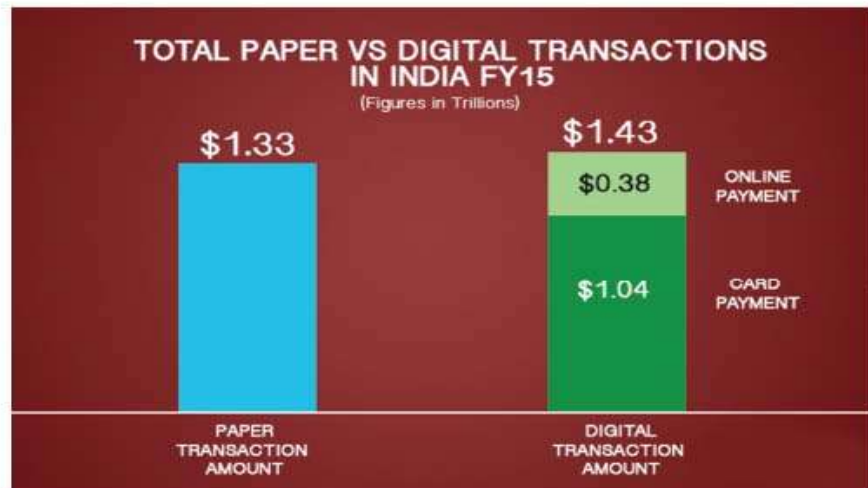


Fig. 1: Growth in Purchase Transaction

The use of plastic cards in India has rise from last few years but there is still a great potential left for the bankers to introduce more attractive services in order to lure the customers on one side and increase their profits on the other.



Source: DazeInfo

Fig. 2: Digital Transaction in India**FUTURE PROSPECTS**

Smooth, simple and secure payment processes will help bring about behavioural changes and faster adoption of digital payments and banking among un-banked segments, When new players enter the market, each with a slightly different take on the market and with differing business models, the increased competition will help the environment and offer more options for consumers to choose from. A larger pie with more players is definitely good for the changing dynamics of the payments industry, which is still nascent in India.

Indian consumption is still dominated by cash, with cards contributing only 5 per cent of the personal consumption expenditure. In developed countries, 30-50 per cent of spends happen through cards. So there is huge growth opportunity.

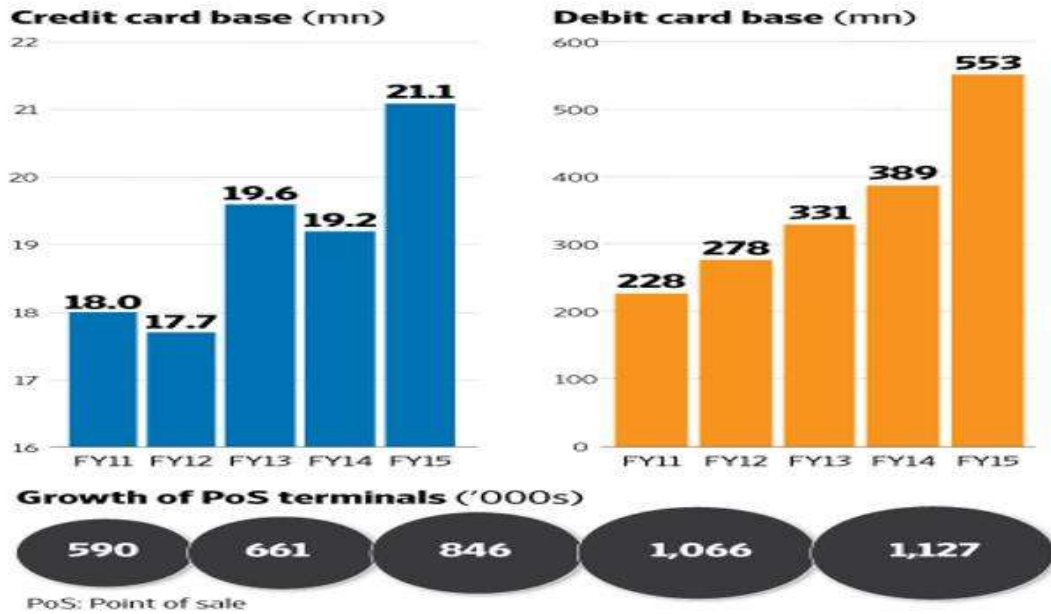
The rapid growth of smartphones, Internet penetration and e-commerce is complementing these; card payment volumes have been growing in excess of 25 per cent y-o-y. “We expect this trend to continue, aided by the continued increase in debit card activation and usage; debit card transactions have been growing at 31 per cent each year.

Intense competition and strategic collaboration among existing and new market participants like the payments and small banks and wallets will help scale up acceptance and foster more creativity, innovation and consumer choice. According to him, the future holds exciting times for the payments industry in India, as all stakeholders and regulatory authorities come together to achieve a “less-cash dependent” and eventually “cashless” society.

The credit card industry in India sees greater acceptance among consumers this year. According to Worldline India Card Payment Report 2014-15, the credit card base grew at 9.8 per cent in the past year. Worldline India is a leader in the payment and transactions services in the country. Alternative methods like mobile wallets and prepaid cash cards accounted for 3 per cent of digital transactions. This industry has been growing steadily over the past few years. Card transactions, both by debit and credit cards, are on an upward trajectory. There are interesting dynamics at play in the Indian payments industry.

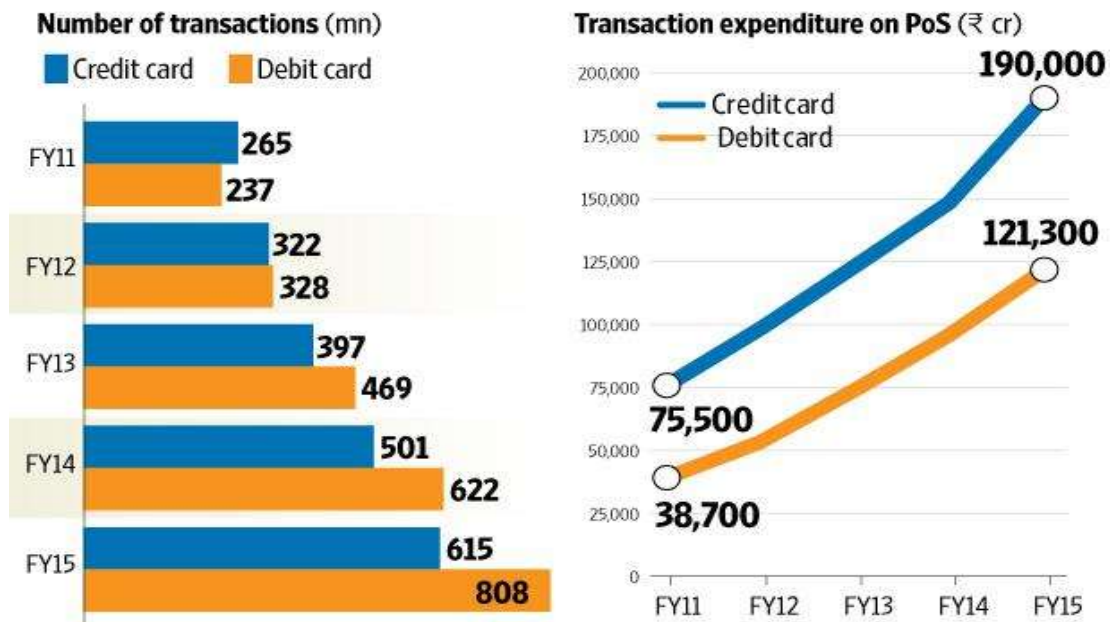
Growth in base

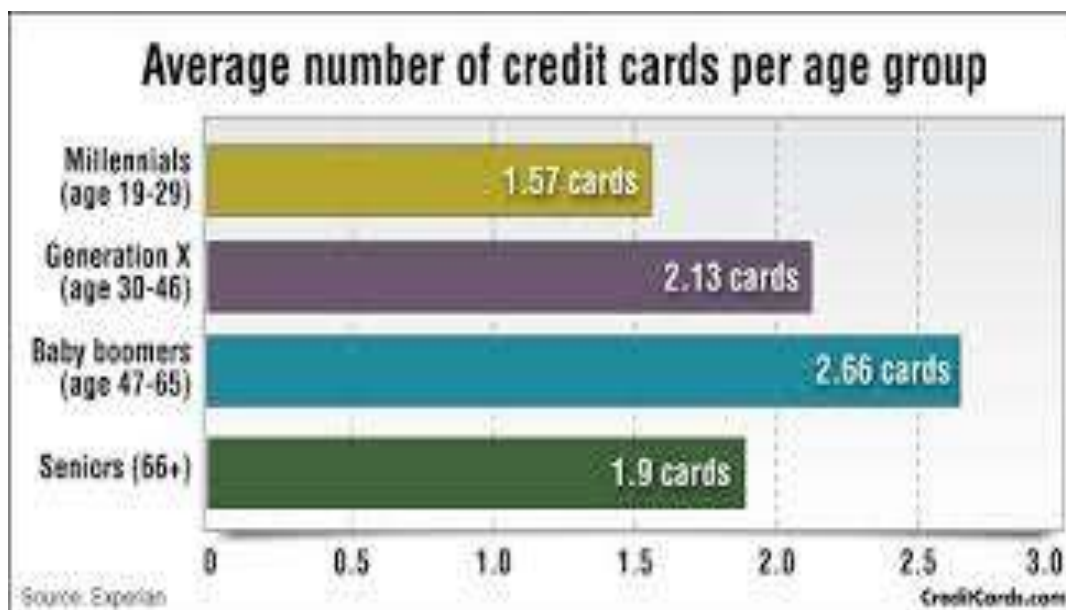
Credit card base grew 9.8% in the past year. Alternative methods such as mobile wallets and prepaid cash cards accounted for 3% of digital transactions. Whereas the debit card base grew 40% in FY15. However, PoS terminals saw a modest rise in number. On a y-o-y basis, the increase in the number of PoS terminals has been just 6%.



Number of transactions

Debit card transactions have grown by 36.5% CAGR (compounded annual growth rate) over the past five years, while credit card transactions have grown 21%. Debit cards have seen a 30% growth y-o-y, and credit cards 23%. Debit card transactions account for 57% of total card transactions at PoS terminals.





Plastic Money: The Currency of Modern India

The Indian card market is at par with the best in the world. Here are some indicators. Profitable usage: Credit cards can be used online with a separate security number to prevent misuse. This has increased profitability. Credit cards are now increasingly being used to pay for even school fees and hospitalization expenses.

Safety standards followed by players to prevent misuse match the best in the world. For example, any transaction above a particular sum is automatically referred to the issuing bank which calls up the cardholder in a matter of seconds on the mobile phone to confirm the purchase.

Product features too match the best anywhere in the world. Almost all credit cards come with standard frills such as free accident insurance, medical insurance at a heavy discount and much more. The cardholder is offered the option of converting a big purchase made on credit card into a loan at a lower rate of interest spread over a long period.

CONCLUSION

The modern day, Indian customers find it easier to make physical payment (credit card or debit card payments) rather than carrying too much cash contributing to the growth of plastic money in the country. The prevalence of intensifying competition has further fuelled the usage of plastic cards in the country like never-before. Due to major social and technological advancements, the banking landscape is undergoing massive change. The market is seeing increased availability of sophisticated technologies that can enable cashless transactions; however the perceived disadvantages such as the need for high IT investment by various service providers, security concerns, lack of technological awareness and the traditional mindset of Indians who prefer to use physical money seem to outweigh the potential benefits. With the change in technology and the improvement in the payment system has lead to further development in plastic money.

REFERENCES

- [1] Mishra G. Indians Get Elastic with Plastic Money, The Economics Times 2007. Retrieved April 02, 2008 from <http://economictimes.indiatimes.com/articleshow12382580.cms>
- [2] Kaur M, Kaur K. Development of Plastic Cards Market: Past, Present and Future Scenario in Indian Banks. *Asia-Pacific Business Review* 2008; IV(4): 62-74.
- [3] Nath R, Schrick P, Parzinger M. Bankers' perspectives on internet banking. *E-Service Journal* 2001; 1(1): 21-36.
- [4] Dr. Subhani, Md Imtiaz. Plastic Money/Credit Cards Charisma for Now and Then" with emphasis on affordability and preference of them by consumers because of their convenience attribute during all kind of daily transactions. *European Journal of Scientific Research* 2011; 62(1): 123-127.
- [5] Haq T, Malik B. Consumer response towards the usage of plastic money with emphasis on increase of shift of plastic money in India by consumers from Credit cards to Debit cards. *International Journal of Multidisciplinary Research* 2014; 4(5): 93-102.